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SUBJECT: DIFFERENCES IN REBUILDING COST ESTIMATES DISSIPATE  
AS REBUILDING TASK FORCE TAKES THE REINS

Classified By: Ambassador Jeffrey J. Lunstead, reasons 1.4 D and E.

11. (SBU) Summary: Recent estimates of rebuilding costs by the Government's Task Force for Rebuilding the Nation (TAFREN) and the Multi-Lateral Development Banks (MDBs) seemed divergent following initial public statements, but further analysis has revealed greater commonality. Both the Government and the MDBs currently use USD 1.5 Billion as the estimate for total rebuilding costs. Differences were largely due to the scope of the rebuilding plans considered by each group. The rebuilding effort has been largely taken over by TAFREN and the relevant ministries, with TAFREN adopting the role of overseer and the individual Ministries taking responsibility for particular tasks. It is unclear if Mano and TAFREN have the political clout that will be required to keep rebuilding on task. One option would be for the President to appoint a political heavyweight to take charge. End Summary.

12. (SBU) As the post-Tsunami focus in Sri Lanka moves from relief to reconstruction, there is new emphasis on the damage assessments completed by the multilateral development banks (MDBs), the Government of Sri Lanka's (GSL) Task Force for Rebuilding the Nation (TAFREN) and, reportedly, the Liberation Tigers of Tamil Eelam (LTTE), the Tamil terrorist organization that controls a portion of northern and eastern Sri Lanka (Note: World Bank is attending meetings with the LTTE on their damage assessment on February 8. End Note).

13. (U) At first blush, there appear to be significant discrepancies in the assessments (the GSL assessment indicates a rebuilding cost of USD 3.5 billion, versus the MDB quote of USD 1.5 billion). However, once the assessments are broken down into component parts, there is a great degree of similarity.

14. (U) The differences, particularly between the TAFREN and MDB assessments, can be largely attributed to the TAFREN policy of looking several steps beyond rebuilding, to the kinds of long-term improvements that would be needed to modernize and improve efficiency. These include ideas such as a modern, electric rail line from Colombo to the southern part of the country, running parallel to the rebuilt rail-line damaged in the Tsunami, and major upgrades to the existing rail structure (USD 415 million), major road expansion and development projects (USD 490 million), increased tourism development (USD 195 million), and improved water supply and sanitation facilities (USD 229 million). There are roughly USD 150 million in other, smaller scale improvements and upgrades in other sectors.

15. (U) Further, TAFREN included a few sectors that were not covered as part of the MDB assessment, primarily because they are covered under other assistance programs (e.g. Japanese assistance to the telecommunications sector). There is approximately USD 100 million in these areas.

16. (C) Finally, there were some differences between assessments of particular sectors. For example, the TAFREN assessment estimates USD 132 million would be required to restore educational institutions, while the MDB study suggests only about USD 45 million. An initial analysis of the two assessments seems to indicate a difference in philosophy - the MDBs prefer an approach that retains structures and communities as much as possible, while the TAFREN report seems to suggest that there will be more migration and more need for entirely new school buildings (Note: this is not necessarily the GSL position, but could be a initial reaction due to the very early and cursory examination done by the TAFREN assessors. End Note). World Bank Senior Economist Rocio Castro confirmed that the GSL had been discussing larger potential migration scenarios in early meetings.

17. (SBU) As another example, TAFREN estimates rebuilding the

fisheries industry will cost about USD 314 million, compared to an estimate of USD 145 million by the MDBs. According to Castro, the TAFREN estimates on the fisheries side were erroneous due to early and incomplete information, which led to over-estimating the loss of boats and their value.

#### Reconciling the Numbers

18. (U) During a recent GSL review of rebuilding activities with the donor community, ADB Resident Representative Alessandro Pio, speaking on behalf of all the MDBs, outlined sectors the donor community, particularly the MDBs, would be willing to fund under tsunami relief and rebuilding programs and those, such as railway enhancements and new roads, that they would not. The GSL, for its part, is aware of those areas donors may consider beyond the scope of tsunami relief, but sees an opportunity to tie rebuilding into their larger investment plan. They also see the opportunity to leverage some monies that would have gone to upgrades of existing infrastructure, and move straight to the upgrade as part of the rebuilding process. Significantly, though, during the course of the donor coordination meeting, Treasury Secretary PB Jayasundera referred to the USD 1.5 billion tally as the number the GSL would use in moving forward.

#### Rebuilding Mechanisms

19. (U) Now that relief has largely morphed into rebuilding, Sri Lanka has phased out its Center for National Operations, the President's Office-based secretariat that oversaw the initial GSL response to the crisis, and handed over day-to-day rebuilding tasks to relevant line Ministries and TAFREN. TAFREN is led by senior Presidential Advisor Mano Tittawella (a close Embassy contact) and includes several high-profile Sri Lankan CEOs as the coordinators of various sectors.

10. (C) During a recent briefing on GSL initiatives, the Ambassador queried Tittawella about the role TAFREN would play in rebuilding, particularly when compared with the role of the Finance Ministry. Tittawella briefly outlined a coordination and motivational role for TAFREN as a body that could cut through the political logjams and act as a buffer in order for the appropriate Government ministries to handle their assigned tasks. Econchief spoke with TAFREN Housing Coordinator Mahesh Amalean, the head of MAS Holdings, one of Sri Lanka's largest garment manufacturers, who gave a similar explanation. Nonetheless, despite best intentions, TAFREN has not yet been tested in its ability to push through needed projects, so it remains unclear if it is capable as an institution of overseeing what is sure to be a politically-sensitive rebuilding effort.

#### Comment

11. (SBU) In sum, the differences between the TAFREN and MDB assessments are largely a product of difference in scope and scale of reconstruction plans. As the process moves forward, however, it appears that consultations are helping to bridge the gaps.

12. (C) The role of TAFREN vis-a-vis the other responsible GSL entities may not be so easy to reconcile, however. Sri Lanka is a tremendously polarized society, and political gain at your opponent's expense remains the guiding principle of the ruling class. While we have tremendous respect for Mano Tittawella, he is not an elected official and has little political clout except through his proximity to the President. One option would be for the President to appoint a political heavyweight who could cut through the red tape and bureaucratic hurdles to take charge. So far, she has shown no inclination to do so, preferring to deal through bureaucratic players whom she controls. End Comment.  
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